

FINAL TRANSCRIPT

Sep. 11. 2007 / 9:00AM UKT, ERIC - Ericsson Strategy and Technology Summit in London

The radio evolution road map now, notice here at the bottom this is time. So what's further to that side in the picture happened before, it's in the lead. First GSM came, then came wideband CDMA and then now LTE will come around 2010. CMA1X EV-DO is around here, there discussion about the Rev C, what's also called ULTRA Mobile Broadband in the 3GPP standardization forum.

If that will really happen, I'm not so sure, I think there are very strong indications that many CDMA operators will -- some of them like [Teletrans] ones left here and moved over to HSPA already a year or so ago, others might go over to LTE in a while there.

And there is the WiMAX standardization, the fixed, the D standard, the mobile D standard and there are discussions about an M standard here also. So why is that? Well it's about the performance. Here we have 3G Performance, wideband CDMA HSPA EV-DO and WiMAX 16e, they're about 3 performance.

And 16e is now fighting to be approved at a 3G standard. And there are discussions in ITU about the standard called IMT Advanced and the contenders there are LTE and IEEE has started off with 16m standardization and that is what is their discussion for 4G. 16e is not a 4G standard, their battling to become a 3G standard.

So in summary then, this is basically all I've talked about in one slide. If we talk about, from the bottom, the broadband access, on the fixed side, GPON is the new thing coming. For IPTV the application. On the mobile side broadband access is HSPA and LTE, HSPA for the ones that are already on that track for a long time, LTE more the first ones to come there is the current CDMA operators.

IMS is the control for all this, the Multimedia Communications Suite that I talked about, the all interface and everything where you can do chat and presence and all that on your mobile phone rides on IMS using broadband. And then IPTV rides on IMS. And then you will have things happening in between the fixed and the mobile, a convergence happening through IMS.

Then there are two things happening also. Voice over IP is the driver in the fixed world for IMS because there is a lot of which circuit switch replacement going on on the fixed side. Voice in the mobile world is so efficiently done already with a circuit switch, it's not so much to add on doing it Voice over IP. So the voice will still stay circuit switch there for a while and interoperate with the Multimedia Communications Suite.

So that is why they have a different short-term focus on fixed and mobile. The short-term focus on fixed is plain Voice over IP combined with IPTV. Here it is all the multimedia things and keep the circuit switch voice. Then this will go into the multimedia telephony when you combine Voice over IP and the MCS mobile communication suite. That is not urgent though, but it will happen. So short, short, short summary that you knew already when you came in, it's about IP, it's about multimedia and it's about broadband, both for the fixed and for the mobile.

QUESTION AND ANSWER

Unidentified Audience Member

Question for Karl-S Sundstrom, when we looked at your competitors many of them have cash convergence cycles of 90% or better, certainly Cisco is and Nokia. So is 70% good enough? I appreciate the work you're doing to get there. And there's a follow-up question for [Henric].

Karl-Henrik Sundstrom - Ericsson - EVP and CFO

Okay so if you look upon Nokia and Nokia is a competitor, but if you look at Nokia Siemens Networks, they have a cash convergence far below us. And while the Cisco has one a lot higher, it's basically a drop shipment kind of business without installation, because that's partners doing. So it's not really fair to compare.

But if you compare it to ABB, old Siemens, Nokia Siemens Network and every type of engineering construction company, I think we are coming out fairly well. And there are a number of studies showing that, so I think it is a fair question. However, I think the target is in line with our growth ambitions. As I said in the presentation, if we stop growing, cash convergence will be very high.

Unidentified Audience Member

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And then thank you, just a brief follow up. If we look at Nokia's recent decision on its chipset strategy and also what's happening generally with the EMP's competitors, is that changing the way you view that asset? Is it still a core asset to the Ericsson Group? Or does it need, like others, to merge with a stronger partner?

Carl-Henric Svanberg - *Ericsson - President and CEO*

Well it is certainly a key asset because it really ties together the whole end-to-end solution. It is clear that EMP is today regarded as a leader parallel to Qualcomm. We're actually a bigger market share than Qualcomm on wideband CDMA chipsets. It is also clear that there is a lot of investments going on in that field, more technologies means more investments.

Two years ago we were 1,000 engineers in EMP. We're heading towards 3,000 now. So it's a pretty massive R&D machine that we have there and we are in a good position. But with all the demands that are there everybody is a little bit close to critical size, that is Qualcomm as well, as you see in Nokia and as you see on Freescale. So various collaborations I'm sure will happen to some extent, but we are extremely happy with EMP.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Next question, [Victor], please?

Unidentified Audience Member

Victor (inaudible) for Carl-Henric Svanberg, you mentioned earlier that consolidation is picking up in Western Europe and that should decrease your pricing power. Could you give us something on your view on price pressure going forward, increasing or decreasing?

Carl-Henric Svanberg - *Ericsson - President and CEO*

I think the pricing environment it has been tough all the time. We don't think it has accelerated at all. It can come and go a little bit depending on larger projects. There is one element of larger companies of course trying to leverage their scale, but it's also becoming more complex that technology. So we can see an offsetting trend there where it's important to be with a partner that actually makes the equipment work. So I would say, all included, I don't think we see a different pricing erosion trend than we've seen in the past.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Next question please?

Randy Graywall - *Tudor - Analyst*

Hi, [Randy Graywall], Tudor. If we look at return on invested capital rather than just the margins, is the return on invested capital the same for turnkey projects and emerging market projects as for the drop shipments in the western markets? And secondly, do you get credit protection on your turnkey and emerging markets? Or is it from export agencies, i.e. are you protected in case there is a credit crisis?

Carl-Henric Svanberg - *Ericsson - President and CEO*

Where are you? I'll leave the credit protection to Karl, but I would say that when it comes to turnkey, our competitive advantage is actually even stronger there than it is in non-turnkey projects because it takes, as Karl says, a long time to build up the capabilities to do this in Bangladesh or Indonesia or Nigeria or wherever you are. So in fact the margins, if you looked into the projects, I think most of you will be surprised that they are as strong as they are.

Having said that, one must remember that initial roll outs where you have often a more tougher negotiation, which then gives way for many years of expansions, is tougher margins. But so it is if we roll out for Cingular in U.S. or if we do it in Pakistan. So for that reason you could probably

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see that turnkey, because they tend to be more of initial roll out, have a maybe somewhat lower margin. But overall the business environment on turnkey is quite fine.

Randy Graywall - *Tudor - Analyst*

But because you've got more services in them, wouldn't your return on your investment actually be higher over even the project cycle?

Carl-Henric Svanberg - *Ericsson - President and CEO*

What you do is that we try to - on one hand we take on the turnkey of course because it's a turnkey situation, but we try not to take on unnecessary equipment if we can. If we look DSL and so on, one of the reasons, coming back to the question before, that the scope has been limited is that you try to take out some of what almost becomes close to just transported to the project. Because the turnkey nature of - I wouldn't really say there is a big difference there, now I wouldn't say so. Would you?

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

No I wouldn't say so. And remember in a drop shipment there is also services but it's on a separate contract, but probably a little bit less scope. When it comes to credit protection, yes we are using either through ECAs or sometimes insurance solutions. However, I must be very clear on this one, in the history of Ericsson, over 120 years. We have lost more money in the U.S. and Germany than we've ever done in an emerging market. Why is that? We are part of the national infrastructure. If we stop supporting the networks, communication is down in 48 hours and who has a problem then?

Henry Stenson - *Ericsson - SVP, Head of Communications*

Yes we go on, over there please?

James Faucette - *Pacific Crest Securities - Analyst*

James Faucette from Pacific Crest, I wanted to return to the topic of data growth and its impact on Ericsson's outlook. Can you help us understand a little bit right now what the carrier's reaction is to the data growth? Are they being surprised by the data growth, et cetera, and what the reaction is firstly?

And secondly, you mentioned that there are bottlenecks emerging, where are those bottlenecks generally? And how are those being addressed? And then can you help us anticipate what the next bottlenecks will be after the current ones are addressed? Thank you.

Carl-Henric Svanberg - *Ericsson - President and CEO*

It's actually quite interesting because if you go back maybe three or four quarters, most operators would say that, "Well you know we have lots of data capacity." But I mean if you talk about the quadrupling growth, then of course it addresses that very quickly. So today I must say I've been around just in the last couple of weeks, everybody comes back to the same thing, Jesus data is growing. I mean this is much faster than we thought. This is a topic that you get all over.

Then of course you have to go operator to operator and see where they start. How sort of low it was the data to start? And how much can they grow before it fills up. The first thing to jain is typically the transmission and that is what you see in almost every operator today, they are building up transmission. Some like Telstra for example, they built pretty robust transmission to start with because they understood that would happen. So it depends a little bit operator to operator.

Of course then other parts of the network will gradually need to be addressed and radio capacity is the one that is the most exciting for us because that's where the bulk of the volume is. And you can see that some operators that are really aggressive need to address this, but it's not yet an overall sort of trend that everybody has to beef up capacity.

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Henry Stenson - *Ericsson - SVP, Head of Communications*

Okay next one over there and then we'll take one more before I let you out for coffee.

Jeff Kvaal - *Lehman Brothers - Analyst*

Thanks, this is Jeff Kvaal from Lehman Brothers. I was wondering, Hakan, if you could spend a little bit more time talking about the time lines for LTE, when one might be in carrier trials for LTE? And then also secondarily, a little bit of an update on what you folks are seeing in the U.S. market with T-Mobile and with AT&T. Thanks very much.

Hakan Eriksson - *Ericsson - SVP & CTO*

Okay, I can start with LTE then. We are starting LTE trials basically now and we think, and we say, friendly customer trials during the end of 2009 and then ready for roll out just after that. So say, if you're going to have a [easy] date, say early 2010.

Carl-Henric Svanberg - *Ericsson - President and CEO*

Coming back to your question on AT&T and T-Mobile, when it comes to AT&T first, we've done the initial roll out. There is still more roll out and capacity build out that is needed. They have been a bit slower this year and if you talk to them they will probably even say publicly that they've been so focused on all the mergers and so on, so they haven't been too much into expanding networks.

They see that need that is there and they have fairly recently also stated that they are adding US\$1 billion to what they had otherwise planned in 2008 for additional investments. Remember that is CapEx in total with everything that comes to it, everything doesn't translate to telecom equipment. And it's in total for AT&T, but a lot of that is focused on the mobile side.

When it comes to T-Mobile, we are rolling out our part of the networks. We got the first initial parts of those, we have the majority of the networks and we are the ones that are rolling out right now. And they are about to launch also spectrum, it's just they're waiting for.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Anyone who wants to add something? Okay. A single question before we break for coffee please.

Unidentified Audience Member

I have two questions actually, the first is on the subscriber number you expect in 2012, the 5.5 billion mobile subscription. I'm just wondering where you think the additional 1.5 billion is going to come from between now and 2012.

And then the second question is on the margin impact of the trends you just described. As we move to capacity addition in 3G networks and HSPA roll out et cetera, should we expect a big step up in your margin, given the high software content?

Joakim Westh - *Ericsson - SVP and Head of Strategy and Operational Excellence*

Okay I can comment on the curve I showed in terms of mobile subscriptions. A lot of that growth is of course coming from some of the emerging markets, the big roll outs there. If you think about India right now being around 150 million subscribers, moving towards 400 million, and China being a little bit less than 400 million moving towards 800 million. So that is of course bringing a lot more new mobile subscriptions into that curve.

Carl-Henric Svanberg - *Ericsson - President and CEO*

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I think one aspect one should remember when it comes to subscriptions is that today the difference between subscriptions and subscribers starts to be several hundreds of millions, because all of us here I'm sure carry more than one.

Obviously not in the countries with a huge number of subscribers like China and so on, but I think when you come to 5.5 billion, somewhere there subscriptions start to lose relevance. I guess we could be in 2020 with a 10 billion because all our cameras are talking and everything. So somewhere we have to follow that closely, there is starting to be a relevant gap to follow.

When it comes to margins, I don't think there is a reason here to sort to start to build in projections for growing gross margins then I assume parallel to growing R&D or so on, because it's more software content and more up-front fixed costs. It's not a dramatic difference, it's already fairly high software content in the wideband CDMA HSPA networks that we're rolling out. And even if you go to LTE it's not going to change dramatically.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Okay. Thank you very much.

(BREAK)

The next part of this presentation today is Sony Ericsson becoming more and more a significant part of the Ericsson Group, even though it's a 50/50 owned venture. But, we are really proud to have them as part of this presentation today. There will be three presenters, the CEO of Ericsson, Miles Flint - Sony Ericsson, sorry, thank you, it's so easy, and his two colleagues. And they will present each other, so I won't get into that.

So I just want to introduce President and CEO of Sony Ericsson, Miles Flint, the floor is yours.

Miles Flint - *Ericsson - President, Sony Ericsson*

Good morning, and it's a real pleasure to be here again at another Ericsson's Capital Markets Day here in my home city. I'm Miles Flint, as you know. I'll be joined later in the presentation by the Head of our Entry business, Howard Lewis; and by one of the key leaders of our music-related activities in Sweden, Bjorn Ahlberg.

Safe Harbor statement, I'll try and avoid, especially in the current circumstances. But, this is here for the record. Let me just give a quick business update and some scene setting before we go into our Entry activities and then our music activities.

Highlights of the second quarter, nothing new here, you've seen it before, but continued strong year-on-year volume growth, 59%. Income before tax growing 55% year-on-year to EUR327 million. Walkman phones of 9 million in the quarter, and what we believe now is a very sustainable and sustained position of leadership in music phones in the music category, and the expanded portfolio continuing to generate market share gains with a more competitive ASP, which has driven lots of volume growth.

So overall, just under 25 million units shipped last quarter, sales of EUR3.1 billion, gross margin still around the 30% level, income before taxes, as I said, EUR327 million, ASP, EUR125 and significant steps forward from the same period in the previous year.

If I look at that on a five-year basis, we see really the great growth of Sony Ericsson up to EUR11 billion almost sales last year, volume almost EUR75 million, and income before tax almost EUR1.3 billion.

I think the momentum in the business continues very strong, and we're pretty confident about the second half. With the product introductions we've got, profitability is likely to be slightly stronger in the fourth quarter than in the third. And -- but, I think the underlying fundamentals are still pretty much in place.

We believe the total global market will exceed EUR1.1 billion this year. That's the number that we've had for some time, and we certainly see no reason over the last couple of months to change that estimate. Our performance, driven very much by a broader product portfolio Walkman and Cyber-shot phones in the top rank.

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We just have introduced and started shipping our first HSDPA PC card, some of our more design oriented phones in the bottom half of the chart. We're seeing quite a trend toward slider phones in the market. And the S500 and W580 are proving extremely popular, and bottom left-hand corner, the increasing range of Entry handsets.

We've recently had a report, which is available on a subscription basis from a company called M:Metrics. Paul Goode, Paul just stand up, from M:Metrics is here. He's got some of the more detailed data than I'm able to go into here. It's surveyed from a sample of 70,000 people across the five major western European markets. And there's some interesting facts that come out of that as related to Sony Ericsson.

Sony Ericsson phone owners, two-times more likely than the average, of Sample Two on a 3G phone. That reflects our very strong growth in recent years, but particularly our strong growth in 3G where I think you probably know they're number two supplier of 3G handsets. At least, that's the perception that we get from EMP.

Users of Sony Ericsson imaging phones are twice as likely to use network services like MMS to share photos. And three-and-a-half times more likely to upload images to the web through the blogger capability that we have on those phones, so real evidence that's coming through about the ability and the track record of our phones to generate traffic on the networks. And that's being not only reflected in a survey like this, but also is consistent feedback we're getting from our major operator customers.

Walkman phone owners are five-times more likely than the sample to listen to music sideloaded from their PC. Five more – five-times more likely to listen to music downloaded from an operator service and Bjorn will talk about that a little bit later. And number one for handset satisfaction in the three northern European markets, if I can call them that, in this survey of UK, France and Germany, so some really solid data coming out from the search about where we sit in the market and particularly, our ability to drive and generate traffic over the networks.

Let me talk just a little bit, headlines of what Howard will cover. What we're trying to do in Entry is not to be at the lowest price point in the market where margins are razor-thin, but to expand the brand experience, the Sony Ericsson design and the Sony Ericsson value propositions continuously to lower price points in the marketplace. And there's a lot of that working very well for this year in 2007.

To get aligned, strategically, our R&D manufacturing and marketing. In other words, to get more focus in what we have to do in terms of cost reduction and competitiveness and integration within the organization. To compete successfully at lower price points with good and satisfactory margins and to continue to drive global market share gains and improving and continuously relevance to operators, and that's been a consistent theme about what we've been doing in Entry for some time.

If I move to music for a moment, let me just recap what we've said in Cannes 2005 of the three steps that we wanted to take in music; because I think it's worth going back to that point. Firstly to establish the phone as a credible digital music player, I think two years ago, that wasn't the case. And what we see increasingly is not just what we're doing, but others coming into the market.

I think there's no question in the consumer's mind that the phone is now a credible alternative to a dedicated MP3 player and indeed, very much part of the total value proposition, even if some people are always using Orange like [now], like we did two years ago. There's very much a focus and a direction and a momentum for music on mobile.

Secondly, to build compelling consumer applications and services and again, a core part of what Bjorn will present is some examples of how we've done that. And thirdly, to driver operator revenue with easy-to-use services, and our focus is very much on working with the operators in a agnostic way if they want to – us to put our phone as the front end onto their services.

We've done a lot of that with different operations, and we'll touch on that. And we see this is now the area of the market that is posed for – poised for significant growth and development going forward now that we've got the first two elements in place. And we always saw that as a sequential process that needed to be studied.

If I show that just a little bit more graphically, this is the W910, HSDPA, Slim Slider. One operator last week said, "And of course, one of the great things about this phone is its power consumption is very low because the – the EMP is best in class in power consumption." And this will be featured in a number of operators' campaigns for Christmas.

With that, we then build in a number of services. Again, Bjorn will touch on some of them, things like TrackID, Sense Me in music and Play Now in music with the Walkman and the Cyber-shot brands establishing the proposition. And in Cyber-shot and, indeed, some other products now, things like Blogger and then also BestPic, so we get better quality pictures out of the phone and onto the network.

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Working very much with operator partners so that we can integrate what the consumer experience, the user experience into their network services, and here are just three examples, one from Vodafone, one from Orange and one from Hutch of services where Sony Ericsson devices are now embedded into their services.

Again, you see the kind of the three-step process, the credible music device, the applications and features then delivering integrated services for the consumer, generating ARPU for the operation.

I'd like now to hand over to Howard Lewis to take us forward into Entry, but just one quick comment from me, apologies that these slides are not in your packs. There was a logistical issue on our side. And if I can make a point out of it positively, we should have – we should have got it right, but to make a point positively, it saves a little bit of paper.

The PDF files will be available on the Ericsson website for you to download and either print or just be on your computer, apologies that it's not here now. And – but, you can get access to it on – of our PDF files on the Ericsson website, at which point, I'll hand over to Howard. Thank you, very much.

Howard Lewis - Ericsson - VP & Head of Entry, Sony Ericsson

My name's Howard Lewis. I'm the Head of the Entry business, which is a unit within Sony Ericsson that we set up just about a year ago. And it's my pleasure to be asked by Miles and by Ericsson to come along and present at this Capital Markets Day.

The strategic intent for us in Entry is to produce a sustainable, profitable Entry portfolio supported by what has become a very aspirational brand in the mobile phone industry. We define, and there's some debate within our own company about the precise point here, but we define Entry as being a price point more or less EUR75 and below selling pricing to the operators.

And you'll appreciate that this is a new environment for Sony Ericsson. We traditionally operate in the mid and high-tier end of the market in much more of an aspirational type of a way. Recent reports that we received suggest that second-time and third-time purchases are much more common for Sony Ericsson than first-time purchases. And perhaps in the Entry business, this is an area that we can aspire to change.

But of course, you'll also recognize the competition in this area is very intense. There are lots of companies operating in Entry businesses, particularly at very low price points in this market. They have different motives for being in this business. And of course, as we've recently seen, they have different results as well.

But increasingly, customers are asking us to participate in this part of the market. And I think it's more to do with an extension of the Sony Ericsson brand, rather than participating in the lowest possible price points that this business is now seeing.

So to emphasize right at the get-go, this is not the strategy to – on volume growth for its own sake. This is about volume growth in areas where we believe we can create good margins and where we can generate profitability for the business. So, what we'll do is take tried and tested attributes, the Sony Ericsson brands, the sub-brands that we have released into the mid and high-tier into the – of the business.

And you can say that this is something of a proposition-led approach into Entry. We're unlikely, as I say, to move into the ultra low-cost area, but we are spending a lot more time now trying to understand our consumers' needs and particularly in areas of localization, which I'll come back to in just a moment.

For me in coming into this business pretty new, the issue for us I think has been more about capability. It's important that we take a longer-term view of the technology in this environment and not just grab the technology as it comes along. And so – and I'll cover this in more detail in a few minutes, we made some more strategic partnership arrangements at the beginning of this year.

And I'll cover those in just a moment. But, we're taking a longer-term view of the technology, and we're building better relationships I think and longer-term relationships to try and make this business successful.

And I should also say that this is not something, which we see as just an emerging markets opportunity either. This is an area where there is an Entry business in the UK. There is an Entry business in France, Germany, Eastern Europe, Western Europe, Latin America, in APAC and so on. And it's those areas in all of those countries that we're looking to address.

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Of course, the emerging markets are very important, but we're not fixated on the -- in the emerging markets per se for this growth. We are looking for areas of growth in the more mature markets as well.

This is a chart, which illustrates the degree to which Entry is becoming an important business. These are internal numbers from Sony Ericsson looking forward to 2010, and they exclude CDMA. So -- and what you can see is that although in 2006, there was a pretty good balance between entry level and higher tier areas of the market. That is changing quite dramatically.

And the areas below EUR75, which is the dark green on the bottom there of the chart, is set to double now between -- in the next three to four years. And that's really where the impetus and the stimulus for this growth is coming from.

But, this is not all about cheap phones either. This is also about phones, which have high technology in them. So, we've got EDGE products. We've got product with megapixel displays, MP3 players, sophisticated cameras, music players and so on and so forth. And so, this is a technology challenge as well as a cost challenge.

And what we need to strive to be over time is a leader in this environment in terms of low cost and high technology. But as you'll recognize, it will take us some time, some years in an evolutionary approach to get to that point. So, we still see the competitive landscape as being very, challenged, but I do want to emphasize, we see this also as an evolutionary approach. This isn't about Sony Ericsson in a revolution going into this market.

But, Sony Ericsson is pretty well known for distinctive phones in the mid tier of the market, the mid and high tiers with clever design, great use of metals and other materials, great use of color and so on. And we feel that that's something that we can emulate more in the Entry business. So, at least to start with, you will begin to see more of a design-led focus in our Entry business rather than shipping phones, which are you might say, pure plastic.

It's also important, we feel, that we can add a proposition to these phones as well and the propositions that we've created in the mid tier, so things like Walkman. We brought Walkman into the W200 at the beginning of this year, which is on the edge of the Entry business, you might say. And that's done extremely well, and our consumers have responded well to that. And a more proposition-led approach, whether it is in a sub-brand or music proposition more generally, is an approach that we intend to take in this area of the market.

And of course, although at one end you may say, well, we have a -- we have one phone. We have a global product range. What's becoming increasingly important is the degree to which we localize this product range. And we are spending a lot of time now trying to understand what the localization requirements of our customers really is so we can build in that flexibility and give relevance to the end customer for those phones.

So, you might say that this is the -- this is where we came from. We regarded everything as nice design, easy to use type of approach. And we're not much more proposition-led. That's the way forward for us in Entry, capitalizing on what we have done in mid and high tiers and taking that into the Entry range of the market, music and imaging, voice and text, fun and entertainment and a more emotional design-led experience.

It might be somebody's trying to call me, with an order maybe. This is the portfolio of product that we introduced in -- that we've introduced in -- and announced in 2007. So gradually expanding the range, phones like the T250, very aspirational design-led product, really a beautiful phone, the -- and the two clamshell devices that we've got, the 320 and the Z250, which are already now shipping and proving quite popular, particularly in Latin America.

Let's talk about the underlying technology just for a moment. And this is very much about a platform focus. Our approach in the past has been about pure sourcing, so we've established some good partnerships with ODM partners. But, what that hasn't necessarily given us is either the consistency or the input into innovation that we've been seeking.

But fundamentally, we believe that there is a long way to go, still a long way to go in this market before we reach commodity technologies. There's a lot to -- there's a lot more in terms of integration. There's a lot more innovation to come. There's a lot more sheer ingenuity in this industry, frankly even at the low end, but certainly in the higher end of the Entry business.

So, part of the strategy is to build platforms. It's to build longer-term partnerships and relationships with our suppliers where we can set a technology road map and iterate through that technology over forthcoming years.

And of course, the end game is that we get greater product flexibility. And this is something of a -- you could consider Entry as a fashion business. What works in one market may not work in another market, and we need to be -- we need to have an engine behind us, which enables

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us to switch and change as we see opportunities arise. The product may be popular in one market, not so popular in another. We need to have the flexibility to be able to use that.

And from that, in part to take that development into our own -- that platform into our own development environment but also to continue to use -- to work with some of our existing and maybe new ODM partners in the future so that we get the horsepower behind us for the development of new phones.

Of course, in March this year, we announced a deal with Sagem. We've received since then a lot of compliments about that deal. They may not be in themselves a large mobile telephony brand, but the technology is very good, very competent and high quality. In some operators, they are rated their number one supplier for quality I might say.

Fundamentally, the thought process behind Sagem was the following. We can either do it in an organic way. By it, I mean develop software for this Entry range of product, or we can get mature very quickly. And what we felt was an appropriate way to proceed was to partner with TI on the hardware and Sagem on the software to create something, which was almost, you might say, instant maturity.

Have to say that we now have development facilities in Beijing, and we have a development center in France, co-located with Sagem, and they are now developing. So, it's our own Sony Ericsson are now developing technology, Entry technology, using the Sagem software and principally the TI hardware. And that's going quite well. And we'll make an announcement about the first phones coming out from those platforms at a later date.

What I would say, the last bullet is that this is complementary and transferable. What I mean by that is that our engineers are learning about this technology well and eventually over -- and over time, we'll be able to take the technology and use it as our own. And that's the intent. That's the stated intent, and that's what we intend to do.

So then just in summary, we're very clearly focused in Entry on market share in a sustainable way. This is not a land grab for us. That's not the kind of market environment that we see is appropriate. But, the approach is very much an underlying platform and an underlying development of the technology. And year-on-year, we will continue to get better and better at this technology.

We are already beginning to see the rewards in the sense in relation to the Sagem partnership, and that's going well. We're very focused on design. We're very focused on being proposition led in this environment, and we're very focused on localization so that we understand the needs of the local consumer.

And overall, what we're trying to do is to bring these brand values that Sony Ericsson has got in the mid and high end of the market down into the Entry business to capitalize on that and to slowly take us into Entry. That's all I have to say. Thank you very much, for your attention. Thank you.

I should say, now we go onto the fun part, the music piece. So I'll introduce my colleague, Bjorn, to share some of that. Thank you.

Bjorn Ahlberg - Ericsson - Head of Content & Services

Thank you, Howard. The theme on my entire presentation is music experience to drive music business. And it's about the consumer experience of music. And for my presentation to work with you all I would ask all of you in this room to step out of your current roles, analyzing everything, and go into the consumer, music consumer, music lover.

Because I think we all love music in this room, right? Yes, I know Miles does. He's really a music aficionado. Okay, and I'll try to share some of the passion we have within Sony Ericsson working with music. We are really passionate about this area. So keeping one part of you there but keep the other leg in the business aspect.

And the business aspect is the operator business, how we can use this experience to drive the business together with our customers, the operators. So consumers' music experience drives the music business. First step, the Walkman player. When we introduced the Walkman player 2005 we wanted to create kind of heart and soul within the phone where you experience the music you have in your phone. And coming back to establishing a credible digital music player within the phone, this was the first step.

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Here's where you get your music and you play your music. You could browse it through artists and tracks and for those who know the complicated terms it's about analyzing the media data and showing it in a way for the consumer so he can experience it. One part of the proposition and there were many part of the proposition is that we introduced also of course the keys on the device.

And there's one click and you go straight into the music, one click to start the music. And personally I love these control keys. They're from the W810, but I love the design and it actually screams music to the consumer who have the control keys there. So that was the first step.

The second step was 2006 and the evolution of the Walkman player where one key point -- I mean there was many things we did. We upgraded the visualization and there was the transformation that was much, more cool. But the big step was actually to integrate an online service, the online store.

And -- why we did this was mainly two aspects. I mean it's really key for two aspects. One is that the music you download, the music you buy, you get your phone, you get it into the music player. So it's actually core -- it's integrated. It's not a separate download client and a separate player. But the other is also every time the consumer plays his music he's reminded that there's actually an online store.

So what did this do? Well we have some information and I'm showing data we get from Userware, which is a third party music provider, which we are working with of course. They showed us this and I want to show even if it's a little bit old information, it's from February this year, but the W850 was the first phone to have this player. And the data they shared with us was that in this music store the way we integrated this service inside a Walkman environment created much more music purchases.

Now I'll try to explain it -- it looks complicated. There's two ways to get to the store -- either you go to the online store directly or you use the discovery mechanism. Both of them integrate in the Walkman environment. Discovery as you can see, is also a key to consumer music and I'll get back to that a little bit later.

So we're on the right track, and in July this year Orange released this press release where they stated that Walkman handsets have a 300% increase in downloads and Walkman handsets following the partnership, which we have done together with them in the music arena. And our Walkman phones are the top three performance when it comes to download numbers. So we have some proof that we're on the right track. So, experience and business.

Next step TrackID. I'm talking about music discovery. TrackID is magic. How many of you in this room know what TrackID is? All the Sony Ericsson people please [put up] your hands. TrackID is a joint collaboration with Gracenote, a company in the U.S. where you can actually start recording sound, the music sound, and it goes up and gets back information about which song it is, which artist, album and song title. And once you get that information you can actually do something with it.

And I mean we, [old] people, are really curious and we want to know what kind of song that is, and it works. It's magic. You can also do the same thing through the integrated FM radio inside the phone. So TrackID, very simple. I'll come back in my presentation how we always try to create a simple experience for the consumer.

Imagine yourself, you're in a Starbucks or maybe a discotheque is too noisy, but I actually heard that it works in pubs as well in the UK which is a really noisy environment. You hear a song and you start track and then you get back the information about the song. And then there's one -- and if we integrate this into the service there's one more click to go to the service or the music store and one more click to buy it. And these are actually screen shots from [the three] stores where we have fully integrated the TrackID discovery mechanism.

So there's three clicks to buying. And I can say that [Hutch 03] really adopted this and they created in many of the markets a zero tariffing plan so it's actually completely free to the consumer to do TrackIDs. He doesn't have to pay until he buys. I should also say that TrackID is also free for the consumer except the data charge from Sony Ericsson so we're not charging the consumer anything.

So, so far we have sold -- we have 8 million phones on the market with TrackID. By end of June this year and it's 12 models. More models are coming. What's the result? Launch in October in W850 and then the curve is going up. So in August we have more than 2 million TrackIDs during August and accumulated so far we have 11 million TrackIDs and the going rate is more than 100,000 TrackIDs per day which means more than one per second.

So it's -- you can do the counts. Hopefully at the next Ericsson Capital Market Days I will have -- you can see the curve. Okay discovery drives music consumption. Sense Me is completely unique [to] Sony Ericsson. We're working with Sony in this case and they have a unique technology where we check -- how many of you know about Sense Me by the way? Same people.

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Sense Me is a technology from Sony that goes into the actual audio of the music and analyzes it, and then you can pick up a number of attributes to the song and you can start picturing those attributes.

And we chose in the first iteration to show the mood, which is sad and happy, and the tempo, fast and slow. And by doing that we can actually display the music in your device in a totally different way from today. Today you have (inaudible) browsing but this is a new way of experiencing music.

And then, of course, you discover music and you can see that music, which are closely related, you didn't think were closely related. So let me show an example of how the browsing is.

(VIDEO PLAYS AND RESUMPTION OF SESSION)

Okay and the good thing is at the very end here, and you can see at the top, I can actually create a dynamic playlist of my music. So I click and I expand and I shrink the ring to create a dynamic playlist in my phone or music. I didn't even know was related. This is cool. And it's completely unique for Sony Ericsson.

Next step media. Media is an all-media experience – and this by the way I have my phone here. Sense Me is from W8910. All-media, media is much more than music. Media is an all-media experience where we want to create an all-media experience in the device. It's not by accessing your digital files and your phone to the file manager. It's actually to experience the media you have in the phone.

And as you can see there is some resemblance with one of our parent companies when you look at the iconography and the media we have. So you can imagine the collaboration we will have. However, I have it here and I'm showing two images. One is the portrait mode and one is the landscape, because in this phone you automatically tilt so there's an (inaudible) and the whole media experience is either landscape, portrait. So we have that already today or coming in Q4.

Just show you a little bit how you browse through the music, in this case. The real stuff is much more interesting than the PowerPoint.

(VIDEO PLAYS AND RESUMPTION OF SESSION)

So as you can see here in the media experience we integrate fully the Walkman player as well, so you play and you experience the media in one environment. And by the way this is Walkman Player 3. Okay. Not only that when we do this media experience we really again want to work really closely with our customers, the operators, and how we can integrate their services and all-media aspects into the media environment.

So these are examples of the big operators we're actually working with right now, how we can integrate their services in the media environment. So you can see the theme, experience, and integrated with the service.

Play Now. Play Now is, I would call it, easy-quick media service, which we launched 2004. It's not only music. Actually games is quite a big part of Play Now and that's why we're showing Sims 2 screen shot. It's a complementary service from Sony Ericsson. It's not meant to compete with the operator services. It's for those channels that don't have their own services or the operators that don't have their own services. So we can provide this out-of-the-box for the consumer.

When we launched this 2004 there was a principle which we wanted to stick to. And that was really simple for the consumer to get media. I mean it was a three-clicks principle and we stuck to it within the company and throughout the development even if people wanted to add more and more functionality.

So it's one click to see the list – sorry, one click to get the list, see the list, and the third click is to pre-listen and buy. And pre-listen was quite new at that time. You can pre-listen and then buy it if you wanted to. There were many – I [would] say there were some music services at that time which could do a lot more but they were quite complicated so they didn't drive the consumer to use them.

Throughout the years, 2004 we launched polyphonics only. 2005 we added MP3 master tones and games. 2006 we added full track music into this. And 2007 we add wallpapers and it looks like we only added wallpapers, but the fact is we also enhanced the music library in there. So as you can see there is an evolution of the service. And it can do more and it looks more complicated but the fact is it's the same principle, one, two, three clicks together. We want to stick to that.

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So what do we have in Play Now? Full track music and master tones from Sony BMG – that's what we have. We have games from the leading publishers and I'm not showing all of them but these are some of the major ones. And games is such a key thing. We have many other really big titles in our library and it says about 200 game titles per phone model.

Even I was surprised about that number. It varies per phone model and in fact we're looking at how we can take down the number of games to be able to manage it and the reason why we have so many games is that the game developers really want to work with us. We have a very strong Java platform in our phones both for development and actually playing the games, a really strong third graphic capability as well. So we're looking at actually -- reduce it to keep it.

By Q2, end of June this year, Play Now was available in more than 20 markets and we actually have more than 90 revenue share deals agreement with the operators. In fact it's a revenue share through the billing which is Premium SMS. So it's an over-the-air service, revenue share together with the operators.

And in July to June -- July '06 to June '07 we had about 200 million visits to the service and more than 200 million downloads and that's both premium and free content. So coming back to Play Now it's a complementary service. It's not meant to compete with operators. We have, in fact, some revenue share in there through the billing and it's actually getting consumers to go there.

Okay the last part of my presentation is a little bit of an animal and it's almost like I have problems explaining it even in this room. But it's not a service to get content. It's actually participating in the music industry and we wanted to, how to say, help, not help but we wanted to engage in the music industry to break new artists and get more music out there. M-buzz, m-buzz.com, please remember it. In this case we have both a phone client and also actually a Web portal, a Web service, a portal.

So please go to m-buzz.com and check it out. It's quite cool. What we have there is it's a non-exclusive partnership with Sony/ATV Publishing where we collaborate to break new artists and get some quality music into our own channels. We really want to get some quality music for our own promotions and so on. And if I can ask the operator to --

(VIDEO PLAYS AND RESUMPTION OF SESSION)

The next one is Miles' favorite, [Nearly Perfect]. So as you can hear it's really good music and it's unsigned artists in most cases I think multi-year and we're collaborating to break them. So let me take you to one concrete example. For the W880 campaign we collaborated with a band called The Headset and their song was The Enemies.

And we had a campaign site, which you can see in the middle, it's [W880campaignsite@sonyericsson.com] but at m-buzz we had the band up there and we also had a phone client for m-buzz. So what happened when we ran the W880 campaign? Watch the video -- at the end you'll see the tag line, the name of the artist and the m-buzz.com.

(VIDEO PLAYS AND RESUMPTION OF SESSION).

It's so good. Six week's campaign of W880 we got 175,000 unique plays on sonyericsson.com. Out of these people another 25,000 wanted to go m-buzz.com and find out more about these artists. And I believe now -- I don't think I can say anything but things are starting to happen within this band.

To compare the kind of exposure we can give, at the same time this band has had the wrong site on MySpace and up until today they have had 10,000 unique plays. We did this in six weeks.

So wrapping up a music experience for music business. And the things we have -- we have the Walkman player integrated online store, TrackID, discover, capture music and do something with it. Sense Me find out new ways of emotionally browsing your music. Media, going into the all-media. Play Now a complementary service to the operator service. More the music and m-buzz to be part of creating more music. So creating a consumer delight but also driving the business together with our customers, the operators.

And I won't forget but the next step in our music plan we will announce in London November 6th, and it's something only Sony Ericsson can do. So I was instructed since you're all here, please join us then. Thank you very much.

PRESENTATION

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Unidentified Audience Member

Yes it's [Francois] from Cazenove. You're talking about 200 million downloads on your Play Now from basically June to June '07. Could you share with us what were the associated revenues in total and how much Sony Ericsson got from that?

Bjorn Ahlberg - Ericsson - Head of Content & Services

It's a very tricky question to answer this openly. Of course a larger portion of that is the free content. We have premium content as well. But it drives the consumer to go to the service and once they are there experience also the premium content. So unfortunately I cannot share the revenue.

But I mean the whole ambition with the service is not to specifically make money at this stage. It's actually to help promote the whole proposition of our music proposition but also to stimulate consumers to go and also, of course, create more revenues to the operators, our customers.

Unidentified Audience Member

Thanks.

Henry Stenson - Ericsson - SVP, Head of Communications

Next one please.

Mike Walkley - Piper Jaffray - Analyst

Great, thank you, Mike Walkley with Piper Jaffray. I was wondering if you could give us your thoughts on Apples' entry to the music market and with your strong position here in Europe how you view their entry into the music market? And just a quick clarification question for the entry-level strategy, can you give us your definition of what you consider ultra low and that you don't plan to enter by a price point?

Miles Flint - Ericsson - President, Sony Ericsson

If we do the entry piece first we look at the entry business in terms of I guess there are two or three parts to it. [Sub-75 euros] is broadly the category and I would say the ultra low is really -- it moves around but EUR30, EUR32, EUR35 is that type of price point. That's the area of the market which is an area we feel is not based on proposition right now.

Unidentified Company Representative

On Apple I've studiously avoided answering questions about Apple since some time in January this year and I don't propose to start now. I think what we've tried to do today is to show that having started two years ago we've got a very broad proposition. It's not just Walkman handsets. It's a much broader business about music and mobile.

And I think that underpins our contention that we're the leader in this space and aim to continue to be so. But we welcome the competition.

Henry Stenson - Ericsson - SVP, Head of Communications

More questions, now hands starts to wave. Now we start up in that corner again, start with the first Richard and then go to the second one.

Unidentified Audience Member

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Miles I asked you back in May about when we might start to see some more cooperation between Sony and Sony Ericsson specifically around Sony CONNECT. You said ask again in the fall. Here we are in the fall. When would we start to see all of this wonderful Sony content, which seems to be very much at arm's length to the Sony Ericsson proposition get brought into these direct-to-consumer services.

And then a quick question on the low-cost handset strategy. Your largest competitor in that space obviously has a very deep distribution network and channel partnerships in many of those emerging markets you target as well as the developed markets.

The second largest competitor has obviously run into serious difficulties because they didn't have that distribution. Given your scale what's a realistic expectation of how deep you might be able to penetrate into some of these developed markets and address that low-cost handset segment. What sort of investments are you planning to make there, do that?

Miles Flint - Ericsson - President, Sony Ericsson

Let's take the first part of it. I mean I don't want to go into all the CONNECT story but I'm going to think -- the broad hint I'll give is come and see us November the 6th. And I think the much broader point is that we're not and never have had an ambition and I think Bjorn brought this out very clearly.

We've never had an ambition to go into kind of vertically integrated services in competition with the operators. It's very much working through the operators and I think there is a slight downside in that that we don't necessarily get reflection that it's Sony Ericsson driving this when it's operator branded. That's fine by us but it means we need to push the point a little bit harder.

And secondly there's a broad and continuing cooperation/collaboration with Sony across multiple different dimensions. I mean Sense Me was one. We had 20 of the Sony component guys in London a couple of weeks ago going through some of our long-term requirements in terms of the technology.

We're working actively with Sony BMG, with Columbia Pictures. There's I think you saw some of the stuff that we did around Casino Royale which some people, my own children said, "That's a bit too obvious in terms of product placement, Dad." But it worked really well and we will do a lot more of that. So there's a broad collaboration going on across multiple different -- different aspects with Sony.

In terms of the entry distribution I don't actually think the issue is building up the distribution channels. I think it's having the right product proposition at the right cost. I mean the marginal cost of building distribution in India is not huge compared to the cost of developing the phones and other aspects of the business.

And in India we've done a lot with Sony so if you visit the major cities you'll see a Sony-operated store and next door to it a Sony Ericsson operated store. That's actually happening all under one umbrella, sometimes with the same dealer and with Sony managing a lot of that for us.

And there are a number of other markets around Latin America, around Asia-Pacific where you'll see exactly the same thing. And you refer to two of our competitors. I don't think the issue is about the depth of distribution cost. I think it's having the right proposition. I think what you heard Howard saying is we're going to continue to focus on areas where we can make adequate and respectable margins and that's actually the gating factor not the cost of distribution.

Henry Stenson - Ericsson - SVP, Head of Communications

Okay no other comments. Move to Richard Windsor.

Richard Windsor - Nomura - Analyst

Yes two things briefly. Number one could you give us a brief update on UIQ in terms of the investments you're making there, how much bigger is it getting and what kind of interest are you seeing from the other handset manufacturers?

And also if you could expand a little bit, it seems that you're maybe positioning yourself more as the anti-OV camp in terms of being the operator's friend rather than their competitor. Is that somewhat perhaps you can steal some orders from your competitors?

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Miles Flint - *Ericsson - President, Sony Ericsson*

The market at the moment is really very interesting in terms of who is aligning with who. I think if you look back to Sony Ericsson five years ago our survival depended on building a relationship with operators and that's what we did. And it was products like the T610 before my time that drove the Company to profitability.

And that continues to be a core area of our strategy. Yes we've worked with Google -- we do work with Google. We work with other people from the Internet space and I think part of what's going on in the industry at the moment is some realignment of who is working with who.

But the Google, blogger capability is driving a lot of traffic. The initial reaction from some operators is a bit more cautious but over time when we introduced the phone they opened up the Google links from -- not all of them. One or two decided not to.

But I think it's a bit dangerous to say that the operator is going to go away or just going become a bit pipe, I think there is still lots of opportunity to build together services and propositions that appeal to the consumer and drive traffic over the network. But it's a changing landscape and we're keeping our options open.

Is it an anti-OV move? No, not per se. It seems to us it's common sense from where we are to be working in partnership rather than going around making like a bit more difficult. So we're about partnerships and collaborations. We are a partnership and collaboration ourselves. That seems to be our preferred -- I think it's our preferred operating style.

In terms of UIQ we've ramped up significant investment. I think the P1 device, which is now just on the point of shipping, is getting very good reviews, getting very good comments and discussions continue. And obviously Richard I can't say anything until I can say anything. But I'm very confident that we'll have other partners in UIQ.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Let's see, move in this direction and we start on that row and go on.

Joe Morani - *Integra - Analyst*

Okay [Joe Morani] from [Integra]. I'd just like to ask you a few questions about the form factor and where that's going in the strategy, the functionality because there's about four or five major functionalities you can build into a handset. You focused very much on the handset and the music functionality.

The other obvious one is the camera functionality which seems to have just go onto the back burner. And for the higher end I would have thought that was a fairly essential thing to actually develop and are you actually going to see -- you effectively made a phone that's a very good MP3 player now or is equivalent to that. Are you going to move forward to making a phone that is equivalent to a camera?

And so the second question I have is to do with touch screens and whether or not with the iPhone coming out and others coming along whether or not you intend to actually bring out a touch screen phone and what that's going to do for your product and the form factors?

Miles Flint - *Ericsson - President, Sony Ericsson*

Okay the first part the camera form factor. I mean in a session like this we have to focus to give some depth to a couple of subjects. But we could have easily done the same story as we've done with music about imaging. There are 5 megapixel of focused product that's just on the point of shipping.

I think the quality of pictures we get out of it from some of the digital signaling processing that comes from Sony bears very good comparison with lots of other devices. I think there is a bit of a megapixel -- megapixel race going on which is a bit unfortunate because in many cases lower megapixels you can actually make just as good pictures and it's not just about megapixels. There's loads of other things and I think we've seen that in the digital imaging market.

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We've done things in the form factor about separate buttons that light up and give you camera, camera functionality in place of the one, two, three, four. Put it in landscape mode they turn into camera buttons. We've had the dual front approach which we first did in 2005.

Other people are claiming it's a new innovation this year. We've had the camera button in the place where you expect to have it on the digital camera. We're working very hard about how we bring camera capability to things other than stick bars as well so it's a rich source of research, innovation and it's certainly not anything that we lack focus on.

In terms of touch screens one of the things that perhaps has been forgotten is that Ericsson was making touch screen phones before the joint venture. And throughout the joint venture, we've been making touch-screen phones.

So the P1, latest incarnation, this is a touch-screen product and I think what's happened this year is again other people standing up saying this is a first; it's -- it gives us an inspiration to how do we take this, which we've had for some time, to the next level? And I think you'll see that coming through.

But I think it also really underpins why UIQ is so important, because that's the source of our touch-screen capability and it doesn't exist on other flavors of Symbian and it doesn't exist on our proprietary OS either at this point. So this is very important that we've got it. We'll continue to develop it in house.

Henry Stenson - Ericsson - SVP, Head of Communications

To you.

Unidentified Audience Member

Hi. Just a quick follow-up on the sort of OV situation. Your major competitor is talking about actually changing the way it looks at its business to have software and services as a distinct sort of reporting revenue line, transparent to investors. That's how, I guess, important they view this could become.

Would you consider doing something similar or at least sharing with us how your software and services strategies, the revenue sharing deals you're talking about would develop over time. And then I have a follow-up question, which is about the strategy of the group, given your recent decision to take on new challenges. Do you see that changing or -- and if you could just give us a bit more color about that decision?

Miles Flint - Ericsson - President, Sony Ericsson

If we take separating it out, no, I don't think we'll do that. Certainly for the time being, but as you've observed, what happens in the future may be different. But it's because it's not -- we're not driving that as a profit center, we're not driving that as a separate income stream. What we're trying to do is enhance the overall value proposition we take to the consumer and the operator.

It covers its costs, but actually what we're all about is making phones. So we would measure ourselves as on making phones. So don't see what we've talked about today as a kind of a completely different strategy from what we've been doing before.

In terms of future strategy, I'd prefer not to comment on the future other than to say what I did was look for where the best of what I thought had already been done in Sony Ericsson and build on it. And [our spit] coming over, the same question in whatever three, six months or so ever, what -- how he wants to take the business forward, but I'm not going to stand up here arguing with him, saying I think you ought to do this, you ought to do that.

This is what we've done and I'm sure he will then figure out the areas of emphasis and focus and how we take the business forward. That's how it works and everything. But I'm not going to sit over his shoulder and say do this or do that. He's got too much experience anyhow to need that.

Henry Stenson - Ericsson - SVP, Head of Communications

Okay. So we need more hands somewhere? There please.

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James Faucette - *Pacific Crest Securities - Analyst*

James Faucette, Pacific Crest. I just wanted to -- there was a question asked earlier as it relates to EMP of Ericsson, I just want to get a little clarification as to Sony Ericsson's position in terms of looking at suppliers of core components like base bands and so on and kind of what the relationship is right now with Ericsson and what the potential is to look at other suppliers there. Thank you.

Miles Flint - *Ericsson - President, Sony Ericsson*

I think there's no change. I think what we have seen this year is that, and we've seen announcements and things from other manufacturers is that everybody's going through some quite complex thinking and analysis about the way forward.

I think out of that, it's very clear that EMP as our major partner will continue to be so into the future. And what we get in terms of our touch phone, the power consumption issue that we've now got HSDPA coming in, we wouldn't be in the position, I've said this many times before, we wouldn't be in the position that we enjoy today with 3G if it hadn't been for the work that was done over many years with Ericsson. So I don't see any fundamental change to that.

What I've also said repeatedly in the past is we talked to many different component vendors, chip set suppliers, under NDA about road maps and about futures and I think Howard touched on it, in entry we're working with Sagem and TI and that's with the full agreement of both of our owners to do that.

So I think that's kind of possible, but I don't want to kind of emphasize that as a track. The core part of what we do is very tightly based on what we do both in open OS and in proprietary operating systems, based on our relationship with EMP.

James Faucette - *Pacific Crest Securities - Analyst*

(Inaudible - microphone inaccessible)

Henry Stenson - *Ericsson - SVP, Head of Communications*

One moment.

James Faucette - *Pacific Crest Securities - Analyst*

Just to follow-up on that, sorry, but -- so is -- do you have an explicit responsibility to okay with your owners your use of components from other suppliers -- potentially other suppliers? Or is it not as explicit, it just comes by virtue of the fact that they do own -- that Sony and Ericsson own you collectively?

Miles Flint - *Ericsson - President, Sony Ericsson*

Yes we do -- we discuss with our Board every quarter many different aspects of the business, including what we're buying from both parents, absolutely.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Okay. Any more questions? Then I think we can conclude and thank you very much for being part of this day and we move into the last piece. We move into the last Q&A session. I'd like to invite Carl-Henric Svanberg and Karl-Henrik Sundstrom. I know that there are still a few hands that been up waving when we had the other Q&A, so let's see what that is.

Yes. I see you. You can be the first.

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Unidentified Audience Member

Thanks. Going back to the first few presentations of this morning, there's very little discussion about how IPR to CTR strategy, at the strategic level, and so that's a question for Carl-Henric Svanberg. And for Karl-Henrik Sundstrom, could you give us an update as to how big that is?

I think last year, we saw in the annual reports about – just over SEK3 billion in revenues. What are we running at now? Has it been growing? Just any kind of update on that really. How you intend to use it? Is it a defensive asset or it is more something that will benefit your finances over the next three to four years?

Carl-Henric Svanberg - *Ericsson - President and CEO*

Well let me then first say that IPRs is a fundamental, both tool and an asset in this industry for anybody that plays a role, especially if you play a leading role. That will continue to be so. I think we have seen some accelerations for awhile with overcharges for patents, as you're aware. We've seen others try to sneak around patents or not pay for them and so on.

I think a little bit is sort of sobering up, which I think is very important. For us, it plays an important role. We are the leaders in our industry. We have more patents than anybody else here. And we will continue to do so, which also means that we are a net receiver when it comes to income of IPR. We get more income than we paid for for leveraging or using other's IPR.

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

No, and I think it's important to come back to what Carl-Henric said, most of our IPRs are under the friend agreement, which means that they are renegotiated on a fair and non-discriminatory rates. So for us, it is a good income to have, but we will never push it because for us making sure that the technology is spread out into all the consumers, which means fair and reasonable rates on handsets will benefit the infrastructure. That's the main reason.

Carl-Henric Svanberg - *Ericsson - President and CEO*

Maybe I should also say that, but I think you're aware, but the fact that there are litigations and so on here and there going on should not necessarily be seen as a sort of deterioration of the whole way of working because it – that will always be. When we invest as much as we do, 70 and 80% of sales, there's massive investments going on. And of course you eventually will get technologies or patents that get closed and so on and sometimes you negotiate, sometimes you actually end up at trials, so it's something you do some method, but it happens here and there. We'll continue to do so.

Henry Stenson - *Ericsson - SVP, Head of Communications*

[Pat]?

Unidentified Audience Member

Thank you again. To some, if not many of us, it's hard to fathom how wireline overall, not necessarily for you, but overall it can be placed in the same growth bracket as wireless. A couple of examples, in India probably 100 million new wireless net adds next year compared with between, let's say, 0 and 5 fixed.

In China, we're now seeing the same pattern, more or less. Even in the Western world, at Verizon and AT&T, T-Mobile, Telus and [era] have a big gap between wireless and wireline. Isn't that to suggest that you, with 85% approx. of your sales will easily be in the upper end of whatever growth bracket you see overall? Even in the absence of market share gains?

Carl-Henric Svanberg - *Ericsson - President and CEO*

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Well, I think it is true that Hakan said previously that you will find that [D-PON] and so on over time plays an important role for IPTV, but a lot of stuff would be through wireless and that the emerging markets and so on or wireless doesn't have -- wireline doesn't have the installed base that wireless is the way to grow.

Still having said that, there are two things. So in that respect, you're obviously right. But then you have two other aspects. One is that if you remember Joakim's graphs about traffic in voice and traffic in mobile, traffic in -- the traffic in fixed and the traffic in mobile, traffic in fixed, that chart is 100 times more traffic than in mobile, so we don't misread those, you see that if you read the axes. So there is an awful lot of traffic that goes on on the fixed.

However, it is -- there is another difference and that is that in a mobile network, you roll out a full network. You don't take an HLR from Nokia and a base station from us, you take based on the full lot, you can split maybe core and radio. Whereas in fixed, you build it based on box by box and that's like Kevin Denuccio says in Redback, that is like guerilla war in a city.

You fight for block for block. And there it is more important, I think, to be placed in the particular areas, which we think is certain parts of transmission and core routers and broadband because those are critical when convergence happens and you start to combine networks and mobile networks become an access method into the network.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Stuart?

Unidentified Audience Member

Thank you. Just following up on that, wireline. You've invested a lot of money, so your commitment's clearly high, but there's lot of new opportunities, there's lot of footprint for people to chase, but a lot of people chasing it. And a lot of other people have a lot of scale, especially if you're thinking IPTV and delivering specific applications to the operator.

So I guess one of the concerns one might have, or I have, is that your commitment, having spent so much money so high that there might be a risk that you're so determined to push into that that you might consider subsidizing that business with your mobile margins?

So I'm trying to get a sense, having spent so much money, should we see there a risk over the next couple of years that the opportunities, as you see them are so high, that it's worth taking a big push, even if there's margin expense in that process?

Carl-Henric Svanberg - *Ericsson - President and CEO*

Well we haven't really thought about it in that way, I must admit. I think every business is run on its own merits and on its own business case. I think what is important here is that the money we spent on the networks in D-PON and Redback and so on, these are in growing parts of the network and they have good positions and the important thing for us when we get -- absorbed an integrated company is to make sure we can maintain that momentum. The company that may have maybe more of that character, as you, I think you commented on, is probably Tandberg and what they will do.

From our point of view, it was simply if you want to be and play a role in multimedia, and remember that what we do in multimedia, we provide software and hardware as enablers for actually making multimedia services possible, in that space, TV knowledge is very important. And that is why we bought Tandberg. Tandberg is a very profitable and growing company with a very strong position on cable and satellite.

I don't really see that connection. I don't think we have -- we haven't thought about it in that way and I don't see how we should either. But it's really business case and so on and it's a good business case.

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

I think it's important to also point out, as Hakan said, the IPTV systems that you see today are not standardized. It's mostly home-grown, operator by operator. If you want to have economies of scale in the future, you need to standardize them and that's what we think we are good at. Because that kind of brings the total cost of ownership down.

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So I think we have just seen the beginning of IPTV and there will be new players around here and a lot of -- if you listen to some of the operators, they right now have growth problems because they can't upgrade the capacity in the network when they put more subscribers on it. And these things, I think, Hakan and his team are excellent in solving. So I think we are just in the beginning of IPTV.

Mike Robertson - Informa Telecoms & Media - Analyst

[Mike Robertson], Informa Telecoms & Media. We've been looking at mobile broadband in quite a lot of depth and obviously you all know quite a lot about it as well. And we're seeing some operators quite aggressively target fixed broadband, migrating fixed broadband subscribers onto mobile broadband.

We're seeing some operators who are reluctant because of capacity and even spectrum concerns. I'm wondering how much mileage you see, obviously fixed mobile substitution has been major in voice, do you see that that major in broadband as well, fixed to mobile substitution, people migrating from DSL to HSPA? Or do you think because of capacity and spectrum constraints that it's not really a growth area?

Carl-Henric Svanberg - Ericsson - President and CEO

Well I think clearly that there will be a migration of certain data, business data from -- to wireless. That is all clear. I mean, it's almost like I said in the example that with the run around with the PCs and the PC Cards, we hardly dock in the PC station in the morning because it works just as fine on the mobile device, on the mobile PC Card. Still the fixed business and the traffic that is there, it's so much traffic in that. So I don't think that substitution means so much on the DSL side or on the fixed side as it matters with its addition to the wireless side.

But you can see today, for example, music downloads. Music -- digital music downloads, the latest statistics that I read was now 50/50 between fixed and directed to the mobile phone. That is the total digital download, I think, it's 6% of all music sold in the world today.

If you look in Japan, the latest statistic I saw in Japan is a little bit ahead in that development, 90% digital music sold is through mobile phones. So of course there is such a trend.

Henry Stenson - Ericsson - SVP, Head of Communications

[Richard]?

Unidentified Audience Member

Yes. A first question for Karl-Henrik Sundstrom. As I asked Joakim Westh this and he said to ask you, when do you think, given the move towards a software and services business model, that your gross profit contribution from non-hardware, non-equipment sales will outstrip that of the traditional equipment business?

And then a second question for Carl-Henric Svanberg, you guys must be acutely aware of the stock price performance or underperformance this year and clearly there is some investor issues with communication, wondering about various aspects of the business model you've tried to explain today.

Is there any material change you might make in disclosure for 2008 that would help investors get a better understanding of the long-term strategy and the financials of the business and perhaps address all of these investor concerns that are clearly behind the stock price underperformance? Thanks.

Karl-Henrik Sundstrom - Ericsson - EVP and CFO

I think when it comes to software business practice. I think we're already in it in the majority when it comes to multimedia. That is basically license fee [ends up].

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When it comes to a system, it's a little bit more complicated and has to do with a little bit with architecture. Because when you buy a mobile system, which is the majority of what we sell, the software is integrated, is basically a pricing function, but over time I believe when we go into LTE and the other things, we will probably have a different structure and I think that's the perspective you should look upon.

Because today you can't sort of say, stop, put in a Nokia software into an Ericsson network. So that's going to take some time and I think with the architecture going into the future, that we will see it. So it will probably be a longer term. But I think the work we have to do right now is to prepare ourselves for that.

Carl-Henric Svanberg - Ericsson - President and CEO

When it comes to the other question, we are not preparing any further disclosure other than that we are doing what we can to explain the various parameters and ingredients that's in our business. It may be.

As you say, it's hard for me to expect you to understand what is the right value of a share and what is worrying people and so on and what you're describing, of course, we're aware that some have done that or others have thoughts about where the business is going or where the industry is and so on.

So that is one of those aspects, but at least I feel that we've had less of those questions lately and especially as we've gone through the whole restructuring and you've seen the provisions and all that come down, I guess, and some balanced positions there. So I think we are clearing a lot of those matters.

Rod Hall - JPMorgan - Analyst

Yes, hi, it's Rod Hall with JPMorgan. Carl-Henric Svanberg, you said at the beginning that now with something like 45% market share, you're back in a position of having the scale advantage you had before the consolidation of the industry began. And I just wonder if you could say a few words about how you see market share fitting into strategy now? How important is it to you strategically going forward?

Carl-Henric Svanberg - Ericsson - President and CEO

Well the market share, I think it's actually been quite strategic from where we were. Because being where we were one-and-a-half to two-times bigger than our competitors and suddenly that sort of shrank away, to sort of regain that scale was important. I guess we're there now.

We have focused a lot on that, but we have not -- we sometimes have wondered, we haven't gone and sort of, I guess what you could call, bought market share because then our margins would have sort of come down. So I guess we have only taken the opportunity to take market share more for our performance and our technology leadership and our people on the ground and support and so on.

I guess that if we can continue -- if we can continue to grow market share with stable margins, we would still sort of prefer that versus a standstill with market share and improved margins. That I guess will be the preference.

Henry Stenson - Ericsson - SVP, Head of Communications

(inaudible)

Unidentified Audience Member

(inaudible) at UBS. Can I just follow-up on that in terms of the market share progression you've made, which has been dramatic, over the past six to nine months? How sustainable is that going forward? And you've seen -- or we've seen a couple of competitors start to lower their gross margins and take what they would call pricing opportunities, are they fighting back aggressively? Do you think that you can sustain market share gains?

Carl-Henric Svanberg - Ericsson - President and CEO

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I don't think that the market share gains that we have made necessarily is -- should those market share, should be easier lost because we've just gained them. I mean you have them, that is footprint out there and you have now rolled out the new customers and you continue with those customers. So they're pretty much there.

I think what one always must look for in this industry is every time there's a technology shift, there's a little bit of new -- not a new play, but it's at least a chance for others to break in. But I think we feel fairly comfortable with that. I think that it is clear that the consolidation that is going on will create, eventually, stronger players than they were before. Maybe not necessarily one plus one becomes two, but they are at least stronger than each of them were before.

The fact that we have got that scale on our side, I think, helps us to defend that. So I think we're in a good position.

Karl-Henrik Sundstrom - Ericsson - EVP and CFO

The last one, to clarify it, because this by win market share, when we talk about the installed base, that means that you have equipment out there. And in GSM, you cannot connect a Nokia base station to an Ericsson base station controller. That is connected to a switch.

You don't want to throw out the switch because that may be capital destruction. So if you grow in the areas where you have the network, it's very hard unless you perform extremely bad to lose that market share. So that's why it's fairly sticky, the market share.

Unidentified Audience Member

Are you seeing any changes in their behavior in the past sort of six months? You must be surprised that they've sort of given up this (inaudible).

Carl-Henric Svanberg - Ericsson - President and CEO

Well I think that the problem that you have, as we all know, as you're sitting there and you're trying to defend on the one hand your customer installed base and on the other hand create synergies and then leave certain platforms, and thereby technologies, behind, so these are choices you have to make.

I wouldn't only say that this all about the consolidation, it's all about the scale of the industry. I think we're finally so -- the outcome of the fact that the industry collapsed with 50%, but the R&D requirements were still there. So if you look at what has happened to the other ones that have not merged, they have lost quite significantly.

So it's -- I would say today it's the merger situations, but you have Motorola and Nortel out there that are sort of in not very strong positions and they have left certain markets or given up in 3G or left whatever GSM and so on. On the other hand, you have the Chinese, which are those that are gaining market share in parallel with us.

Henry Stenson - Ericsson - SVP, Head of Communications

We have time for more questions. Please.

Jeff Kvaal - Lehman Brothers - Analyst

It's Jeff Kvaal from Lehman. Would you mind clarifying a little bit about you're feeling about the role of TDS, CDMA in China and where you folks feel like you've been at play there if at all? I mean, there's probably a near term and a longer term element to that response I would imagine. Thank you.

Carl-Henric Svanberg - Ericsson - President and CEO

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Yes, this is a favorite question. We are -- we will have to guess, because we tend to guess wrong, but it is -- China decided to make their own technology. We understand that. It's a neat technology and they're working hard to make it work. It's, as far as we understand, it's not, so far, it hasn't really reached the level of maturity that they would like to see.

The golden question is, of course, will they sort of try to build a future on this alone? That is not what anybody thinks. Will they eventually launch licenses officially for this and for wide-band and other technologies? Or will they even leave it behind? I think those questions are pretty tricky to answer. It's so political, the whole discussion. It's so much about face and creating own competence and technology and so on. I guess our best guess is that, still, that it is somewhere next year we will see licenses for both technologies.

Our role in TD is that we see that as much more than just the business case as such, which doesn't look too bad though. But we are the only foreign vendor awarded a TD share. Still that was a small share, 1%. We've had -- we do have in the bottom a cooperation with [SIT], but we're also working to be self sufficient in that area, should the technology really start to expand.

We were, as I said, the only one outside there promoting internal candidates right now. We don't think that that's necessarily a strategy that they're going to stick to, it's more that they want to use the trials as a way to train their own internal companies. I think it will be pretty tough for them to catch up to the full HSPA capabilities and so on. Hopefully we'll see both alternatives there on the market in a year's time.

Henry Stenson - Ericsson - SVP, Head of Communications

Okay. Final question? One in the corner.

Matt Hoffman - Cowen and Company - Analyst

Matt Hoffman with Cowen and Company. Have you seen any of the credit market turmoil bleed over into the infrastructure market at all and maybe operator purchase decisions? Thanks.

Carl-Henric Svanberg - Ericsson - President and CEO

No, not really in.

Matt Hoffman - Cowen and Company - Analyst

You're not in -- that's it.

Carl-Henric Svanberg - Ericsson - President and CEO

No. I mean, it's -- I mean, we see that -- we believe that because the operators are basically in fairly good financial position, it's not very leveraged on the debt side, differently from ten years ago, five years ago, they're not sort of greenfield startups with huge debts or so anymore. So they're, on average, in much better shape and therefore we don't really see that. So if it stays like this, we expect that it shouldn't be too affecting.

PRESENTATION

Henry Stenson - Ericsson - SVP, Head of Communications

Before letting Carl-Henric Svanberg making his final remarks, I'd like to thank Karl-Henrik Sundstrom and we need the small device.

I have a few household -- housekeeping questions before I let you start it. Please note to get to fill in the feedback forms. We need that information.

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Those of you who are financial analysts, you will also receive an email later. We have been — we have started using an external firm to do research on how we are performing in this area, and you will get that. I hope you will be able to help us to understand what we're doing right or wrong.

Industry analysts for this afternoon, you should be in Fenchurch, which is a room that you go out in that direction and over at that point. And there are people who can guide you to find the right place to be. The rest of you who have one-on-ones booked, please refer to the reception desk in that direction if you do not know where to go.

Next time we will see each other or at least hear from -- you will hear from us is the 25th of October when we have the third quarter report. And the next meeting of this type will be in New York, the 20th of November, which is a management meeting, a much shorter meeting and we will come back to that later on.

Thank you very much. (inaudible)

Carl-Henric Svanberg - Ericsson - President and CEO

Thank you very much. This will be a two-minute summary. If we look at where we started this morning, dynamic and exciting times in telecom. Build out continues beyond expectations in general, mobility, mobile fixed broadband happens, opens new opportunities for multimedia, lots of excitement, the user is in the driver's seat. We are in a good leading position focused on the future. Our financial performance and our strategy, I hope you have got a better understanding for, even more today, with us and you, Joakim.

Our focus near and medium term, as we explained it to you in my last slide, this was supposed to be a slide of Sony Ericsson's financial performance. Somebody told me that Sony Ericsson in fact, I don't — there was some external consultant that said that Sony Ericsson is probably the most successful joint venture of any kind in the industry. It's quite — with this cross-cultural mix.

Anyway, it ended up being the market growth. So — but it was fabricated in the last five minutes, so anyway. So — and just as a wrap-up, mobile broadband is no longer a question of if, it's more a question of how, different strategies, different operators and timings and so on, but it is going to be a mass market.

We have a broad portfolio, so we are widening what we can address in the market. Of course, primarily driven by our additions and acceleration in all IP networks. We will continue to invest to secure technology leadership. That is key to us. That is fundamental to our whole position. That includes that we are pushing very, very hard to increase the output through constant spending, but the leadership is overall ruling here.

Cash conversion is key in focus for us, for all the reasons that we have discussed. We believe that the targets are well within reach. We have actions in place, but do remember that different growth scenarios will determine more — will be beyond what we can do with various savings actions or improvement actions, will still have a great impact on when we can reach those targets.

And I think also that we hope that Joakim — that you appreciated Joakim's presentation showing the importance of our strategy execution, not just sort of having great ideas, but actually we are fairly robust from idea to strategy to targets to execution and follow-up.

So with that said, extremely glad to have seen you here. We hope it's been helpful and we continue from there and see you next time. Thank you.

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